Kintetsu World Express, Canada Inc.

Weekly Market Update

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Latest News

CBSA workers plan to strike on Friday. Close to 9,000 workers may walk off the job Friday morning if contract not reached. About 9,000 Canadian Border Service Agency workers are preparing to begin job action across the country on Friday and say travelers should expect long lineups and lengthy delays at border crossings and airports. The Public Service Alliance of Canada and its Customs and Immigration Union, which represent the workers, said that it served a strike notice to the government on Tuesday and is now readying its workers to up the ante. If a contract isn't reached by 6 a.m. Friday, the union said its members will begin a "sweeping" series of actions at Canadian airports, land borders, commercial shipping ports, postal facilities, and headquarters locations. "We truly hoped we wouldn't be forced to take strike action, but we've exhausted every other avenue to reach a fair contract with the government," said Chris Aylward, the union's national president, in a release. "Treasury Board and CBSA have been clear they aren't prepared to address critical workplace issues at CBSA at the bargaining table."

Canada border officers to begin work slowdown. Union warns that labor action could have 'dramatic impact' on supply chain. Nearly 9,000 Canada Border Services Agency (CBSA) personnel will begin a work-to-rule strike on Friday, their union said, warning that the labor action could have a "dramatic impact to Canada's supply chain" and imperil the government's plans to reopen the border to U.S. travelers. The Public Service Alliance of Canada and its Customs and Immigration Union issued a work-to rule strike notice on Tuesday and said the labor action will begin at 6 a.m. Friday unless an agreement on a new contract is reached. It comes as the union and the workers' employer, the Treasury Board of Canada, agreed to return to the bargaining table on Friday. The labor action stops short of a full strike. But the union said its impact would be felt at all of Canada's ports of entry, hitting everything from port container operations to cross-border trucking. "During work-to-rule strike action, CBSA employees will obey all of the policies, procedures and laws applying to their work, and perform their duties to 'the letter of the law,'" the Public Service Alliance of Canada and Customs and Immigration Union said in a statement. "This may cause long and unavoidable delays at Canada's borders as workers carry out their jobs as they were trained to do." The union may be trying to work around the legal constraints of a regular strike. CBSA personnel who perform essential duties, including front-line officers, are barred from going on strike. However, the definition of essential doesn't include collection of duties and taxes and maintaining stakeholder relations, according to a federal labor tribunal ruling. Global shipping giant Maersk on Tuesday said the potential impacts of any labor action by CBSA officers are difficult to gauge because of limitations on who can strike. But it warned customers that a labor action could "have cascading effects throughout the supply chain." The company advised customers to "review any high-profile cargo currently in your pipeline and consider expediting it prior to Aug. 6."

Air Freight

Airfreight rates out of China rise as new Covid restrictions impact airports. Airfreight rates ex-China are soaring after Covid cases prompted the closure of Nanjing Airport. Authorities are blaming “lax” procedures at the airport and, with another Covid case connected to a cargo worker at Shanghai Pudong, forwarders fear new crew restrictions could reduce available airfreight capacity. Located 300km north of Shanghai, in Jiangsu province, Nanjing isn’t yet under “full” lockdown, but one Chinese forwarder said inter-province travel rules had already caused some disruption to logistics. He told The Loadstar: “Anyone from Nanjing, or passing Nanjing, needs to show a green healthy [QR] code when travelling to other cities. This would certainly affect inland trucking, as no driver wants to go to Nanjing and then be restricted from going into other cities.” Furthermore, with the Nanjing Covid cases spreading to other cities, including Shanghai, he said a new 14-day isolation requirement on overseas crew would likely cause a pilot shortage for many airlines. “A lot of airlines have had to cancel almost half of their [passenger] flights for the time being, and this has cut down cargo capacity significantly. Consequently, we see all airlines generally increasing airfreight rates a lot from this week,” said the forwarder.

Preighters unlikely to offset rising air cargo demand. The use of passenger aircraft in an all-cargo configuration is unlikely to offset rising air cargo demand for the peak season. Writing in the Baltic Exchange monthly market summary, Bruce Chan, vice president of global logistics at investment bank Stifel said that issues in ocean shipping, high ocean prices and ongoing air cargo demand were putting capacity under pressure. Chan said that preighter operations were unlikely to alleviate the situation. “Some have pointed to the inflow of passenger-to-freight conversions — which have been dubbed preighters — to provide incremental capacity. “But these are insufficient to meet the demand, in our view, and they address the symptoms of the problem, not the root cause. “Ultimately, these conversions are temporary, and will only be deployed in the tightest of markets when rates are beyond a certain threshold, only to be pulled back when those rates decline. “Widebody belly capacity is still in the high-teens to low twenty percent range below where it was in 2019, depending on the lane, in our view — and demand is for the most part much higher now than it was in 2019.” Widebody passenger capacity is currently estimated to make up around 30% of the total market. Meanwhile, Accenture’s Seabury Consulting estimates that in June passenger-freighters accounted for around 6 to 7% of total widebody passenger flights. “An end to passenger freighter flights would have a limited overall impact on current air cargo capacity,” Seabury said. On peak season expectations, Chan said: “With the seasonal ramp toward the fourth quarter holiday peak in full swing and apparent momentum in spending on consumer goods, retail inventory to sales ratios are still near record lows.

Sea Freight

More complaints against 'profiteering' carriers expected as shippers' costs soar. Following its formal complaint to the Federal Maritime Commission (FMC) last week, Pennsylvania home décor firm MCS Industries CEO Richard Master (above) has told The Loadstar why the company felt it had no choice, but to speak out. Mr. Master said he had been in contact with a number of larger and smaller shippers and there was concern for their businesses as well as anger at the failure of shipping lines to meet their contractual obligations. “Some lines are more co-operative than others, but none has supplied us like we supply our customers,” claimed Mr. Master. “When we make a deal, we stick to it.” According to MCS, the difficulties caused by poor service levels and high rates will “reverberate throughout the US economy”, and inevitably have very serious economic consequences. Mr. Master said with more than 11m containers handled in US supply chains annually and the costs of imported boxes increasing from around $2,700/40ft from Asia to the west coast to $15,000-$20,000/40ft, it has left some companies with little choice but to complain. MCS transports around 3,500 containers a year from suppliers in Asia, the contents on average valued at $20,000-$30,000, so current rates are “like a dagger to the heart” of small and medium-sized shippers, explained Mr. Master. It is not that the shippers do not understand that the pandemic has caused disruption, however. And Mr. Master pointed out that contract negotiations took place earlier this year, normally in the first quarter, up to a year after the pandemic started, so the lines knew that the issues and disruption it caused had been “in play for some time”. “When we started negotiating the contracts, we accepted that prices would be 70-80% higher than last year, but we thought that was appropriate, it was excessive, but it reflected the disruption and market conditions,” he conceded. But, he said, once the contracts were signed, “we didn’t get the containers [agreed to] and the prices spiraled up over a period”.

Forwarder angst as carriers switch vessels onto the best-paying tradelanes. Ocean carriers continue to shift tonnage from intra-Asia and north-south trades to more lucrative east-west routes, which is in turn driving freight rates up on these secondary trades, threatening the sustainability of global markets. Alphaliner said its data showed transpacific routes between Asia and North America had attracted the most extra tonnage over the past few months. There has been a substantial increase in extra capacity, said the consultant. "Alphaliner currently counts more than 30 ships between the Far East and the west coast of North America alone." Notwithstanding that carrier need more ships to mitigate the impact of port congestion, there is an obvious attraction for carriers to deploy extra loaders between Asia and the US to benefit from the huge premium rates on offer in an extraordinarily one-sided sellers' market. According to Alphaliner data, in the past 12 months carriers have ramped up capacity between Asia and North America by 30.6%, and on Asia-Europe tradelanes by 19.7%. In contrast, they have reduced capacity deployed on Africa-related services by 6.5%, and one UK-based forwarder told The Loadstar it was now "almost impossible" to get equipment for his client's African exports. "The lines have no interest in the African export business," he claimed, "they just want to get their boxes back to Asia and fill their boots with $20,000 cargo," he said. On the transpacific, capacity growth has not been equally shared by all carriers, according to Alphaliner. Of the 30.6% growth on Asia-North America routes, five lines have increased their average weekly nominal capacity more than the market average.

Ocean contract rates surge almost 30% in a month. July saw the container shipping industry "enter uncharted water", as long-term contracted rates surged by their largest ever monthly increase – "climbing by close to one third", analysis by ocean freight rates specialist Xeneta indicates. According to the latest Long-Term XSI Public Indices from Xeneta – which crowdsources real-time rates data from leading shippers – the global index recorded a "staggering" month-on-month (MoM) jump of 28.1% compared with June, "blowing the previous record (a 11.3% rise in May 2019) out the water". The benchmark now stands 78.2% higher than in July 2020, and up 76.4% in 2021 alone. An industry in overdrive: Patrik Berglund, CEO of Oslo-based Xeneta, described the latest increase as "a truly breath-taking development", adding: "We've seen a combination of high demand, under capacity and supply chain disruption – in part down to COVID and port congestion – driving rates ever higher this year, but nobody could have anticipated a hike of this magnitude. The industry is in overdrive. "Reports suggest that more than 300 vessels have already been ordered this year to try and redress the balance. However, these obviously won't come on line for some time, so it's difficult to see – unless something radical transpires – any relief on the immediate horizon for the shipper community. I've never seen anything like it."

Trucking

MTO announces July 1, 2022, date for restricted license introduction. The Ministry of Transportation of Ontario (MTO) has posted on its website an update stating July 1, 2022, will be the new date it will introduce a restricted A/Z license for those who conduct their road test using an automated or automatic transmission. As of that date, drivers will receive a restricted license that will not allow them to operate a truck equipped with a manual transmission. "As of July 1, 2022, if you complete your Class A or Class A restricted (AR) road test in a vehicle with an automatic transmission, semi-automatic or automated-manual transmissions, you cannot drive class A/AR vehicles with a manual transmission," the notice read. "You can only operate automatic, semi-automatic and automated-manual transmission Class A/AR vehicles. This restriction will be noted on your driver's record and driver's license. It will not apply when operating lower-class vehicles such as class G or D. "The MTO initially planned to introduced the restricted license in July, but announced an indefinite delay at during a hastily called phone call with stakeholders. The industry is divided on whether or not the restriction is needed. The Private Motor Truck Council of Canada and the Truck Training Schools Association of Ontario pushed to have the restriction brought in immediately, while the Ontario Trucking Association said it shouldn't be a priority for the MTO. A small group of training schools has collectively said more time is needed to procure the needed equipment.

Market Sources

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This announcement applies to all Kintetsu World Express Transportation Services, including our Air Freight, Sea Freight, Ground Freight and Logistics.

Kintetsu World Express is continuously monitoring the situation and will provide further updates as the information becomes available.

If you have any questions, please contact your local KWE representative.

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